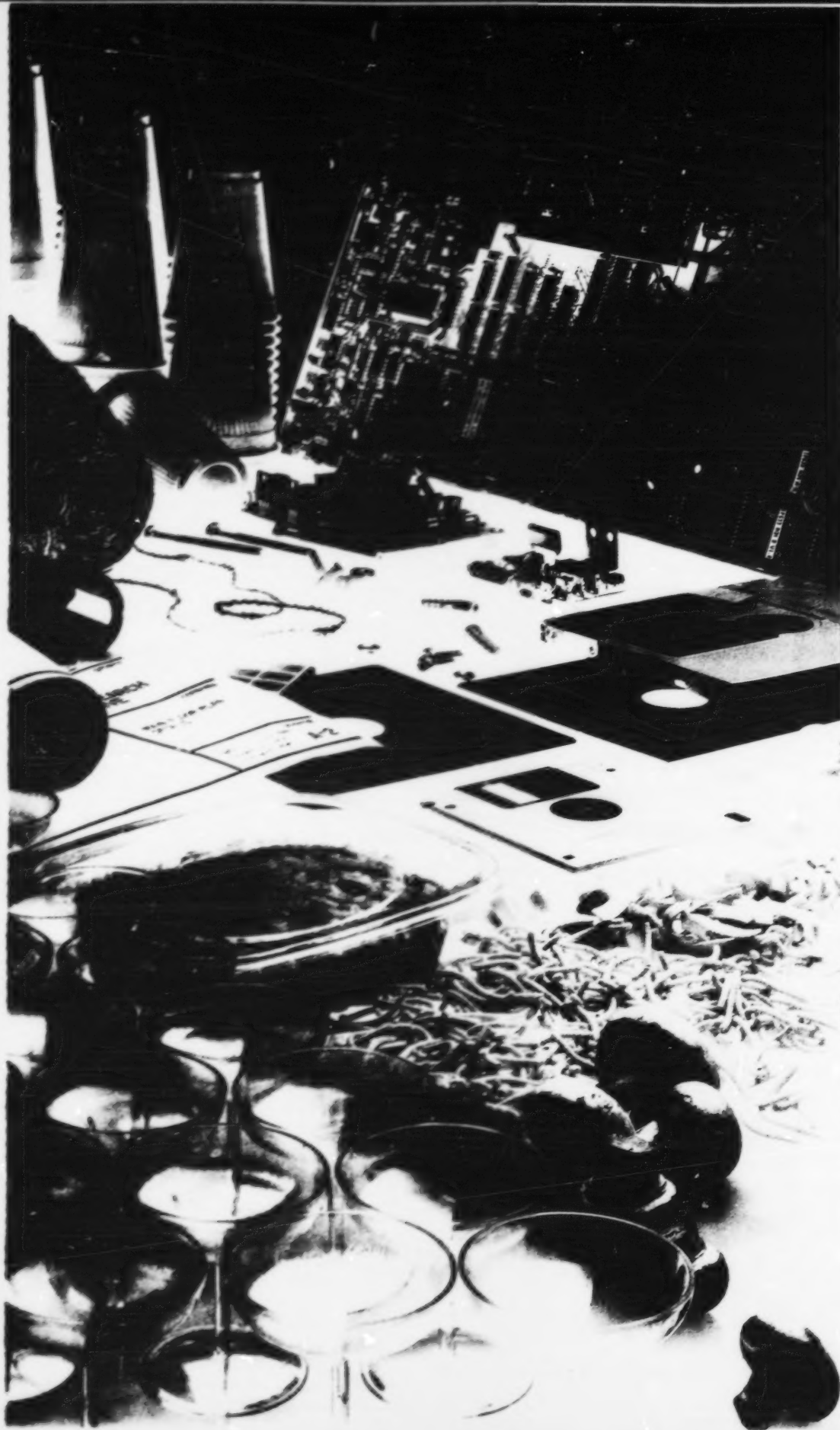




SASKATCHEWAN ECONOMIC
DEVELOPMENT CORPORATION

Contents

Letter of Transmittal	1
Chairman's Message	2
President's Report	3
Board of Directors	4
Activity Highlights	6
Provincial Economic Benefits	9
Management's Responsibility For Financial Statements ..	10
Auditors' Report	11
Statement of Financial Position	12
Statement of Operations and Deficit	13
Statement of Changes in Financial Position	14
Notes to Financial Statements	15

The Corporation

Since establishment in 1963, the Saskatchewan Economic Development Corporation has built a province-wide reputation for developing and providing programs to facilitate economic development in Saskatchewan.

The Corporation provides a wide range of financial and property services to business in nearly all sectors of the provincial economy to facilitate industrial development. Emphasis is directed to small business.

In all its activities, SEDCO's priority is to create and maintain jobs for people in Saskatchewan.

SEDCO's 64 employees are located in Regina and Saskatoon to deliver services conveniently and efficiently throughout the province.

The cover:

The cover photo features examples from the wide variety of Saskatchewan goods and services produced by SEDCO clients.

March 15, 1990

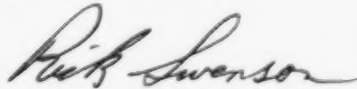
To Her Honour
The Honourable Sylvia Fedoruk
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Saskatchewan Economic Development Corporation for the year ended December 31, 1989, including the financial statements duly certified in accordance with the Industrial Development Act.

I have the honour to be,

Your obedient servant,



Hon. Rick Swenson
Minister Responsible
Saskatchewan Economic Development Corporation



LETTER OF
TRANSMITTAL

CHAIRMAN'S MESSAGE



Last year we indicated that our primary objectives were to stimulate efforts to attract and develop industry and business, and in so doing to provide jobs for Saskatchewan people. We reaffirm these objectives and report our progress during 1989.

Effective economic stimulation is measured by the number of jobs created. In 1989, SEDCO created 1,675 direct jobs for

Saskatchewan people. In addition to the creation of new jobs, approximately 4,060 positions were maintained through all SEDCO programs.

The year 1989 was an exciting one for the corporation. SEDCO took the initiative and used a new approach in the development of four new programs which offer financial assistance to the Saskatchewan business community, primarily to small business. A new division, the Participation Division, administers three of these programs. The fourth is administered by the Loans and Investments Division.

All areas of operation showed an increase in activity. The enhanced interest shown in the programs of the Participation Division carried over to traditional programs. As a result, there was an overall increase in activity and the number of approvals.

Larry Kyle retired as Chairman of the Board in September, 1989 when he was appointed to the Court of Queen's Bench for Saskatchewan. Mr. Kyle served on the Board of Directors for seven years, five of these as chairman. We thank him for his support and wise counsel during his tenure as chairman, and wish him well.

On behalf of the Board of Directors, I extend appreciation to the Honourable Joan Duncan for her contribution during her two years as minister responsible. We welcome the Honourable Rick Swenson as our new minister responsible for SEDCO, and look forward to working with him.

Douglas R. Osborne
Chairman of the Board

SEDCO expanded its mandate in 1989 to reflect a larger and more flexible role in providing financial services to the Saskatchewan business community. In response to needs expressed during consultation with the business public, SEDCO developed four imaginative new programs. These programs have helped to preserve and develop business and to create and maintain jobs in rural and urban Saskatchewan. The nature of these programs enables Saskatchewan businesses to lever financing and investment that would not otherwise be available to them. Not only was there high activity in the new programs, but activity increased in all areas of operation. In short, SEDCO had a year of record levels of activity.

One of the new programs, participating loans, created 912 new jobs through the funding of 217 businesses from the time they were introduced on May 1 to the end of December.

The size of our lending portfolio continued to grow, with the number of conventional loans approved reaching 260, an increase of 141 compared with the total for 1988.

The Youth Entrepreneur Program continued to attract Saskatchewan youth between the ages of 18 and 30 years. The establishment of 47 new businesses created approximately 122 new jobs.

Total assets of the corporation in 1989, consisting of loans, equity investments, property holdings and other assets had an aggregate value of \$224 million.

Income before interest expense, provision for loss, write down of property and share investments was \$12.13 million.

The introduction of the new programs afforded us the opportunity for increased consultation and communication with the people of Saskatchewan in the business community and with our clients.

We thank the Board of Directors for its continued guidance and support through 1989. The counsel and understanding of the board members contributed to our growth during an eventful year.

SEDCO grew in 1989 with the introduction of the new programs, and we welcome the new personnel to the corporation. SEDCO employees met the challenge of 1989 with dedication and support in a very demanding year.



PRESIDENT'S REPORT

Our statistics for the year indicate that SEDCO has become a significant force in small business in Saskatchewan, and as the year closed, we anticipated the trend would continue. There were also indications of some improvement in the Saskatchewan economy.

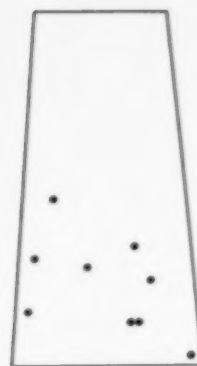
The year 1989 has been one of the most significant in SEDCO's 26-year history. We move into the new decade with rededication to economic development and diversification in Saskatchewan.

Douglas S. Price
President and
Chief Executive Officer

**BOARD
OF
DIRECTORS**



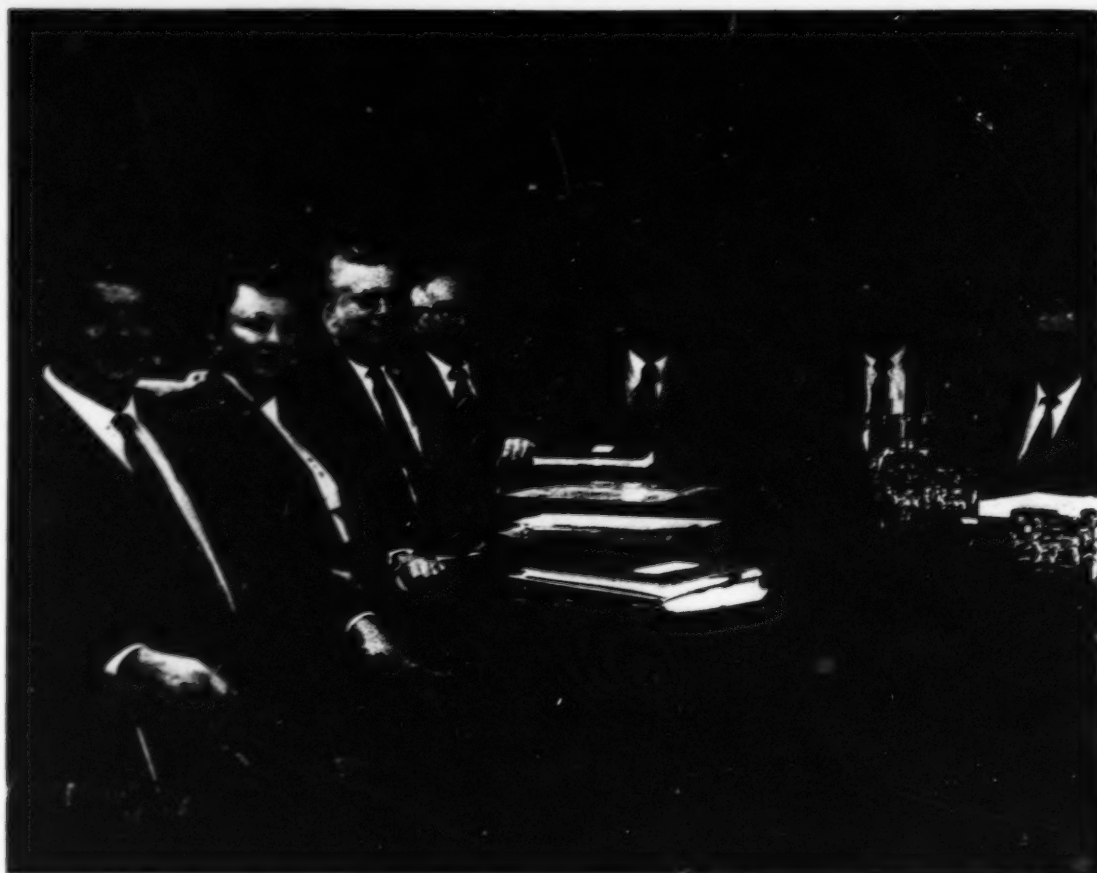
From left to right: Merlin P. Materi, Leader; Maynard Slater, Unity;
Carol Pedersen, Star City; Hon. Rick Swenson, Vice-Chairman;
Douglas R. Osborne, Chairman, Regina; Donald Flamme, Carievale;



Ian Disbery, Secretary, Regina;
Milton Norgaard, Foam Lake;
Ben J. Kuzmicz, White City;

Rob Orr, Saskatoon;
Isabelle Dosdall, Meadow Lake.

**BOARD
OF
DIRECTORS**

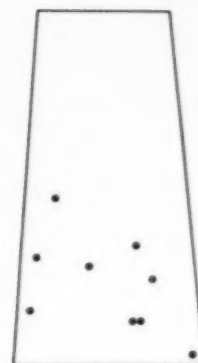


From left to right: Merlin P. Materi, Leader; Maynard Slater, Unity;
Carol Pedersen, Star City; Hon. Rick Swenson, Vice-Chairman;
Douglas R. Osborne, Chairman, Regina; Donald Flamme, Carievale;



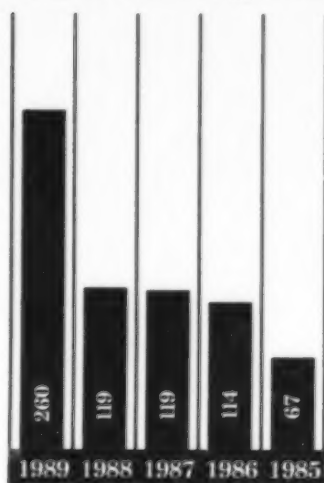
Ian Disbery, Secretary, Regina;
Milton Norgaard, Foam Lake;
Ben J. Kuzmich, White City;

Rob Orr, Saskatoon;
Isabelle Dosdall, Meadow Lake.

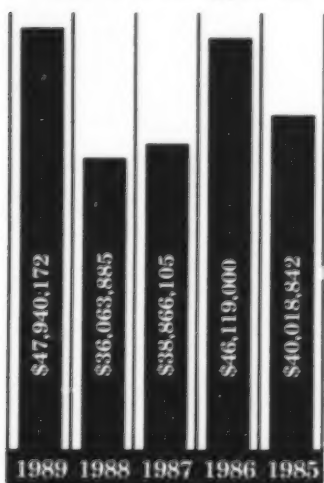


ACTIVITY HIGHLIGHTS

Number of Loans Approved



Value of Loans Approved



LOANS AND INVESTMENTS

A record level of loan activity occurred in 1989 resulting in an increase of 118 per cent in the number of approvals. The 260 approvals in 1989 had a total value of approximately \$47.9 million, compared with a 1988 total of 119 approvals with an approximate value of \$36.1 million.

There was continued emphasis on small business during 1989 in that 88 per cent of the loans written were for less than \$250,000.

As a result of loan activity in 1989, 542 direct jobs were produced.

One of the four new programs introduced in May, the Working Capital Loans Program is administered by the Loans and Investments Division. This program accounted for 30 per cent of the total loan approvals within this division, with 79 approvals totalling approximately \$2.7 million.

The loan portfolio grew by \$16.4 million, and total disbursements were \$35.6 million.

SIZE DISTRIBUTION

Loan Size	Number	Dollar Amount
\$ 0 — \$50,000	160	\$4,528,997
50,000 — 100,000	47	2,729,675
100,000 — 250,000	22	3,328,372
250,000 — 500,000	12	4,312,500
500,000 — 1,000,000	10	6,934,700
1,000,000 — 1,500,000	3	3,424,928
Over — 1,500,000	6	22,681,000
	260	\$47,940,172

More than 2961 inquiries were handled in 1989

PROPERTIES

SEDCO undertook a number of new projects during 1989 and achieved a higher rate of property sales. Sales totalled \$5.3 million which was an increase of \$750,000 compared with 1988.

One of the unique new projects was a greenhouse/research facility in Saskatoon. Believed to be the first of its kind in Canada, the 27,000 square foot project is designed to provide

greenhouse and related research space to smaller companies or agencies which would not normally have access to such facilities. It was named the L.F. Kristjanson Biotechnology Complex in honour of Dr. Kristjanson, former president of the University of Saskatchewan. Construction began on another major project for Innovation Place, a multi-use, three-storey office and laboratory building to be known as the Atrium because of its central architectural feature.

Other projects involved facilities for new and expanded industries for the province, such as a glass tempering plant in Swift Current and an expansion to a Moose Jaw manufacturer of wire cable reels.

A total of 64 person years of employment were created in 1989 as a direct result of the division's construction activities.

Property Sales



ACTIVITY HIGHLIGHTS

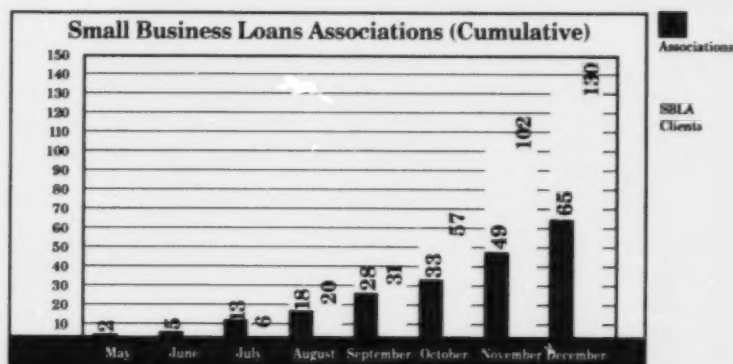
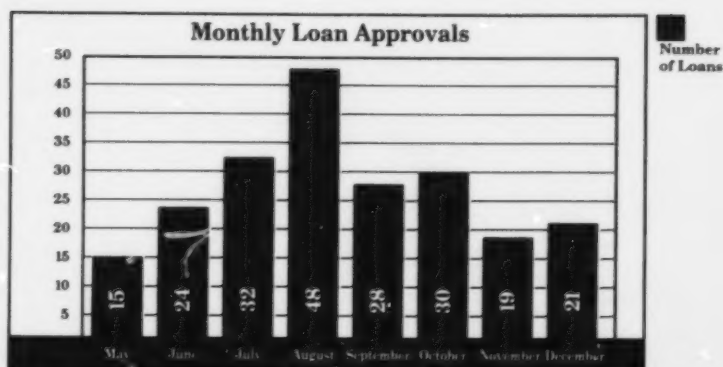
ACTIVITY HIGHLIGHTS

PARTICIPATION DIVISION

The Participation Division is a newly formed division of SEDCO established to administer three new financial programs which became effective May 1, 1989. The programs were designed specifically to assist small business, especially in rural Saskatchewan.

The response was immediate and dynamic. During the first eight months of operation, 217 participating loans were approved with a total value of \$21.4 million. That activity created 912 new jobs and maintained a further 1,828.

The Small Business Loans Associations program, administered by the Participation Division, proved extremely popular as well. The associations are formed by local groups and are assisted by SEDCO to lend money to small projects in their areas. During the eight month period, 65 loans associations were formed. Those associations made 130 loans totalling \$599,356.



SIZE DISTRIBUTION CHART

Dollar Value	Number	Total Dollar Value
\$ 0 — 25,000	61	\$ 1,086,025
25,000 — 50,000	59	2,479,960
50,000 — 150,000	59	6,960,000
150,000 — 300,000	38	10,845,000
	217	\$21,370,985

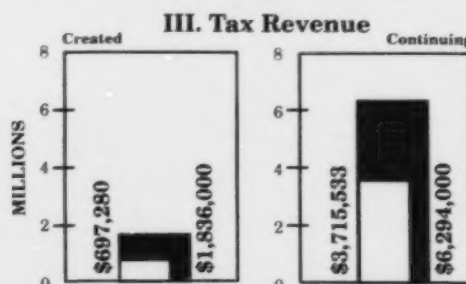
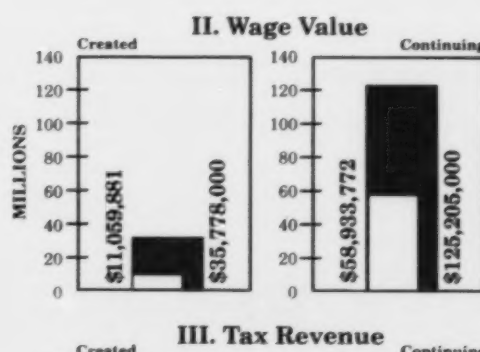
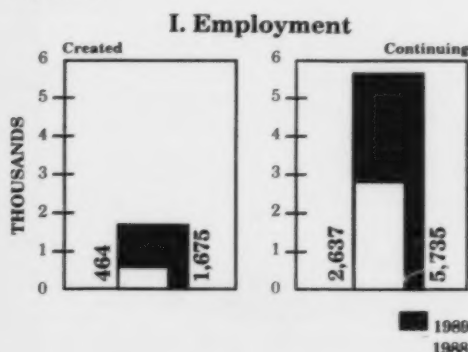
More than 3,110 participation inquiries were handled in 1989

SEDCO's impact on the provincial economy during the year was significant. The Corporation's loan and construction activities, including participating loans and small business loans associations, resulted in the creation of 1,675 direct jobs. Wage values related to these jobs were in excess of \$35 million, with increased tax revenues accruing to the provincial government of approximately \$1.8 million. Activities initiated in past years continue to produce benefits, maintaining an additional 4,060 jobs with an approximate wage value of \$89 million and provincial tax revenues in excess of \$4.4 million. Benefits arising from the Corporation's provision of rental properties and spin-off effects have not been included in these figures. Therefore, the actual impact of SEDCO's activities is far greater than reported.

PROVINCIAL ECONOMIC BENEFITS

	1989		1988	
	Created	Continuing	Created	Continuing
I. Employment				
Loans	384	2,450	198	2,252
Lease Options	49	140	55	174
Participation & Small Business	1,020	2,923	—	—
Construction-Loan clients	158	158	81	81
Construction-Direct	64	64	130	130
TOTAL	1,675	5,735	464	2,637
II. Wage Value				
Loans	\$ 7,714,000	\$ 53,522,000	\$ 4,631,803	\$ 50,306,618
Lease Options	1,056,000	3,048,000	1,186,838	3,385,914
Participation & Small Business	22,156,000	63,785,000	—	—
Construction-Loan clients	3,452,000	3,452,000	2,012,040	2,012,040
Construction-Direct	1,398,000	1,398,000	3,229,200	3,229,200
TOTAL	\$35,778,000	\$125,205,000	\$11,059,881	\$58,933,772
III. Tax Revenue				
Loans	\$ 424,000	\$ 2,705,000	\$292,016	\$3,171,626
Lease Options	54,000	155,000	74,825	213,468
Participation & Small Business	1,113,000	3,189,000	—	—
Construction-Loan clients	174,000	174,000	126,851	126,851
Construction-Direct	71,000	71,000	203,588	203,588
TOTAL	\$1,836,000	\$6,294,000	\$697,280	\$3,715,533

PROVINCIAL ECONOMIC BENEFITS



**MANAGEMENT'S
RESPONSIBILITY
FOR FINANCIAL
STATEMENTS**

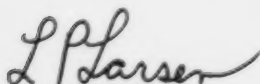
The accompanying financial statements of the Saskatchewan Economic Development Corporation have been prepared by corporate management in accordance with generally accepted accounting principles, and necessarily include some amounts based on informed judgment and management estimates. Financial data presented elsewhere in this Annual Report is consistent with that in the financial statements.

The Corporation's independent auditors, Deloitte Haskins & Sells, have examined the financial statements of the Corporation. The scope of their examination, and their opinion on whether these financial statements present fairly the Corporation's financial position and operating results, are given in the Auditors' report.

Insuring the integrity and objectivity of financial information is an integral part of management's responsibility to the ongoing operation. Management maintains an appropriate system of internal accounting controls, policies and procedures to provide reasonable assurance that all financial transactions are recorded on a timely basis with proper approvals, and result in reliable financial statements.

The Board of Directors has reviewed and approved these financial statements. To assist the Board in meeting its responsibility, it has appointed an Audit Committee which is composed entirely of outside directors. The committee meets periodically with management and is available to meet with the independent auditors to review internal accounting controls, audit results and accounting principles and practices.

On behalf of management,



L.P. Larsen
Vice President, Finance & Administration

To the Members of the
Legislative Assembly,
Province of Saskatchewan:

AUDITORS'
REPORT

We have examined the statement of financial position of the Saskatchewan Economic Development Corporation as at December 31, 1989 and the statements of operations and deficit and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Delbert Harding & Sons

Chartered Accountants

January 30, 1990
Regina, Saskatchewan

**STATEMENT
OF FINANCIAL
POSITION**

AS AT DECEMBER 31

ASSETS

	1989	1988
	(in thousands)	
Short term investments	\$ 3,591	\$ —
Loans (Note 3)	149,631	133,221
Share investments (Note 4)	3,522	2,967
Property holdings (Note 5)	65,571	61,917
Other	1,500	1,328
	<u>\$223,815</u>	<u>\$199,433</u>

LIABILITIES AND PROVINCE'S EQUITY

Bank indebtedness	\$ 517	\$ 913
Accounts payable and accrued liabilities	9,337	3,981
Owing to Participation (Note 6)	4,942	—
Notes payable (Note 7)	37,180	35,176
Long term debt (Note 8)	176,566	151,566
	<u>228,542</u>	<u>191,636</u>

Province of Saskatchewan's Equity (Deficiency)

Advances (Note 9)	50,000	50,000
Deficit	(54,727)	(42,203)
	<u>(4,727)</u>	<u>7,797</u>
	<u>\$223,815</u>	<u>\$199,433</u>

(See accompanying notes)

1989 1988
(in thousands)

REVENUE

Loans and investments	\$ 13,427	\$ 9,611
Property	5,954	4,927
	<u>19,381</u>	<u>14,538</u>

EXPENSES

Rental property	3,559	3,273
General corporate	3,692	3,483
	<u>7,251</u>	<u>6,756</u>

Revenue before the following	12,130	7,782
Interest expense	16,846	13,719
Provision for losses on loans	7,041	1,597
Write-down of property and share investments to net realizable value	<u>767</u>	<u>1,390</u>

LOSS FOR YEAR	12,524	8,924
Deficit, beginning of year	<u>42,203</u>	<u>33,279</u>
DEFICIT, END OF YEAR	<u><u>\$ 54,727</u></u>	<u><u>\$ 42,203</u></u>

STATEMENT
OF OPERATIONS
AND DEFICIT

YEAR ENDED DECEMBER 31

(See accompanying notes)

**STATEMENT
OF CHANGES IN
FINANCIAL
POSITION**

YEAR ENDED DECEMBER 31

	1989	1988
	(in thousands)	
Cash provided by (used in) operating activities		
Loss for year	\$(12,524)	\$ (8,924)
Add non-cash items		
Depreciation	582	441
Provision for losses on loans	7,041	1,597
Write-down of property and share investments	767	1,390
	<u>(4,134)</u>	<u>(5,496)</u>
Loans:		
Disbursements	(35,680)	(24,820)
Repayments	17,051	12,548
Property disposals financed	(3,216)	(7,253)
Share investments:		
Purchased	(1,470)	(750)
Sold	645	330
Property holdings:		
Additions	(8,300)	(10,510)
Proceeds from disposals	843	283
Disposals financed by loans	3,216	7,253
Net change in other non-cash items	(505)	147
Cash used in operating activities	<u>(31,550)</u>	<u>(28,268)</u>
Cash provided by (used in) financing activities		
Proceeds of long term debt	25,000	56,919
Additions (reductions) notes payable - net	2,004	(50,036)
Equity advance	—	21,298
Participation fund	4,942	—
Cash provided by financing activities	<u>31,946</u>	<u>28,181</u>
Increase (decrease) in cash during year	396	(87)
Cash position, beginning of year	<u>(913)</u>	<u>(826)</u>
Cash position, end of year	<u><u>\$ (517)</u></u>	<u><u>\$ (913)</u></u>

(See accompanying notes)

NOTES TO
THE FINANCIAL
STATEMENTS

DECEMBER 31, 1989

1. SIGNIFICANT ACCOUNTING POLICIES

a) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts in arrears are reviewed on a regular basis by management. Where a potential loss is identified, the exposure is compared to the estimated value of the security and an appropriate provision established. Interest revenue is not accrued for accounting purposes on loans where a write-off is anticipated.

b) DEPRECIATION

With the exception of Innovation Place, depreciation on rental assets is calculated using the amortization method. The assets are amortized over 25 years, assuming an interest cost of 10%.

The depreciation on the Innovation Place property is provided under the sinking fund method. Under this method depreciation is charged to income in amounts which increase annually consisting of fixed annual sums together with interest compounded at the rate of 5% per annum so as to fully depreciate the property over its estimated useful life. The property consists of buildings with an estimated useful life of 50 years and sites and improvements with an estimated useful life of 33 years.

c) PROPERTY UNDER DEVELOPMENT

Property under development is carried at the lower of cost and net realizable value.

The Corporation capitalizes the following in arriving at the cost of property under development:

- Land acquisition costs
- Direct development costs
- Administration costs allocated
- Interest

Where the net realizable value of specific properties being held for development does not exceed book value, interest relating to the property is charged to current operations.

Estimated total development costs are taken into consideration in calculating gains or losses on sale of parcels of land forming part of industrial development. Sales are recognized at the date nonconditional offers to purchase are approved by the Corporation and appropriate consideration has been received.

d) SHARE INVESTMENTS

The Corporation has acquired shares in both public and private companies which are carried at the lower of cost and net realizable value. Where there is a parent-subsidiary relationship, the subsidiary is not consolidated with the accounts of the Corporation as a formal plan exists to dispose of the investment. Dividends are recorded as income when received.

2. STATUS OF THE CORPORATION

The Corporation was incorporated in 1963 pursuant to The Industrial Development Act. The financial results of the Corporation are included in the consolidated financial statements of the Crown Investments Corporation of Saskatchewan.

**NOTES TO
THE FINANCIAL
STATEMENTS**

DECEMBER 31, 1989

3. LOANS

	1989	1988
	(in thousands)	
Loan principal receivable	\$138,095	\$122,305
Interest accrued and receivable	6,344	5,251
Loan costs receivable	739	802
	<u>145,178</u>	<u>128,358</u>
Agreements for sale	5,994	6,303
Lease options less unearned income of \$6,568,319 (1988 - \$4,020,000)	9,498	7,208
	<u>160,670</u>	<u>141,869</u>
Less accumulated provision for doubtful accounts	11,039	8,648
	<u>\$149,631</u>	<u>\$133,221</u>

Included in loans is \$7,439,000 (1988 - \$8,340,000) from Westank Industries Ltd. a subsidiary. During 1989, the Corporation accrued interest on these loans totalling \$410,000 (1988 - \$464,000) and received \$1,084,000 (1988 - nil) in payments.

4. SHARE INVESTMENTS

	1989	1988
	(in thousands)	
At Cost		
Shares in subsidiary company	\$ 17,297	\$ 11,280
Shares in listed companies	355	1,000
Shares in unlisted companies	700	5,240
	<u>18,352</u>	<u>17,520</u>
Accumulated provision for losses	14,830	14,553
	<u>\$ 3,522</u>	<u>\$ 2,967</u>

5. PROPERTY HOLDINGS

	1989 (in thousands)	1988
Property under development for industrial purposes (lower of cost and net realizable value)	\$ 29,923	\$ 28,558
Other land, buildings, improvements, and equipment (lower of cost and net realizable value)		
Rental properties	32,799	34,904
Rental properties under construction	4,962	477
Office furniture & equipment	1,298	1,049
	39,059	36,430
Less accumulated depreciation	3,411	3,071
	35,648	33,359
	<u>\$ 65,571</u>	<u>\$ 61,917</u>

Depreciation for the year amounted to \$582,000 (1988 - \$441,000). The average depreciation rate for assets was 1.8 per cent (1988 - 1.6 per cent).

These values include interest capitalized in the amount of \$2,477,000 (1988 - \$2,442,000).

6. OWING TO PARTICIPATION

The Corporation administers the Participation Loans Program on behalf of the Province of Saskatchewan, receiving funds from the Minister of Finance and disbursing them on behalf of the Minister. To date the Corporation has received \$17,500,000 of 0% debt and has disbursed \$12,558,000.

7. NOTES PAYABLE

	1989 (in thousands)	1988
Province of Saskatchewan		
January 31, 1989	10.65%	\$ —
March 30, 1990 (1988-11.00%)	12.25%	\$ 8,400
March 30, 1990	0.00%	32,500
December 31, 1990	0.00%	551
		4,129
		<u>\$ 37,180</u>
		<u>\$ 35,176</u>

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1989

NOTES TO
THE FINANCIAL
STATEMENTS

DECEMBER 31, 1989

8. LONG TERM DEBT

		1989	1988
		(in thousands)	
Province of Saskatchewan			
January 15, 1991	9.50%	\$ 16,000	\$ 16,000
June 1, 1991	7.08%	5,000	5,000
June 3, 1994	8.46%	7,383	7,383
October 1, 1995	9.34%	3,857	3,857
June 1, 1998	9.41%	8,407	8,407
June 2, 2006	9.62%	10,000	10,000
July 10, 2007	9.83%	4,000	4,000
March 3, 2008	9.62%	3,000	3,000
August 10, 2008	10.06%	3,919	3,919
		<u>61,566</u>	<u>61,566</u>
Crown Investments Corporation of Saskatchewan			
December 30, 1991	9.000%	15,000	15,000
February 25, 1993	9.750%	40,000	40,000
May 28, 1993	8.653%	15,000	15,000
November 10, 1993	10.250%	10,000	10,000
April 16, 1996	9.750%	10,000	10,000
July 6, 1999	9.875%	25,000	—
		<u>115,000</u>	<u>90,000</u>
		<u>\$176,566</u>	<u>\$151,566</u>

\$45,566,000 (1988 - \$45,566,000) of the Province of Saskatchewan debt with an original term of 20 years, is subject to redemption on 6 months notice.

9. EQUITY ADVANCES

These advances are interest free and are payable at the discretion of the Crown Investments Corporation of Saskatchewan.

10. CONTINGENT LIABILITIES

As at December 31, 1989, the Corporation was contingently liable under loan guarantees in the amount of \$6,050,000.

11. COMMITMENTS

- a) The total amount not yet disbursed on loans approved is \$12,636,000.
- b) The Corporation has approved guarantees which were in force but not used at December 31, 1989 amounting to \$1,195,000.
- c) The costs to complete properties approved for development approximate \$7,800,000.

12. PENSION PLAN

Substantially all employees are members of the Crown Investments Corporation Pension Plan, which is a defined contribution plan. The Corporation's financial obligation to this plan is limited to making regular payments to the plan to match the amounts contributed by the employees for current services.

13. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan controlled departments, agencies and corporations with which the Corporation is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts owing to related parties and their terms of settlement are described separately in the financial statements and the notes thereto.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1989
